

COMMENTS
Of
UNITED TECHNOLOGIES CORPORATION

D.T.E. 02-38

**Investigation by the Department of Telecommunications and Energy on its Own
Motion into Distributed Generation**

United Technologies Corporation (UTC), on behalf of its business units, UTC Fuel Cells and Pratt and Whitney Power Systems, submits these brief Reply Comments pursuant to the Request for Comment dated June 13, 2002 in the above referenced Docket.

The Initial Comments confirm the need for the Department of Energy and Technology's (DTE) to remove regulatory and institutional barriers to enable broader deployment of distributed power resources. In the aggregate, the Comments illustrate that state action on at least the three issues raised by the DTE is necessary for distributed generation to become a material part of the state's energy profile. The Comments make clear that reconfiguring elements of the historic regulatory model, which assumed central power plants and a vertically integrated industry, will affect customer decisions about their energy options. How long a customer has to wait to be interconnected, what the cost is, what the customer has to pay for back up service, and whether that bill reflects the system benefit made possible by a customer's investment in a distributed power plant will influence whether a customer can conclude investment in distributed generation makes practical and economic sense.

Several parties suggested that the DTE direct a stakeholder collaborative effort to reach agreement on the issues that require resolution. Massachusetts Technology Collaborative at 2; Fitchburg Gas and Electric Company at 2. UTC agrees it is efficient for a collaborative to attempt to reach consensus on as many issues as possible and to narrow the number and type of issues that will need to be resolved through other processes. A collaborative effort in this case appears particularly worthwhile because the Comments, viewed collectively, reveal areas of broad policy agreement.

Specifically, there was general agreement that statewide uniform interconnection standards and procedures will facilitate, as a practical matter, maturation of the

distributed generation market. Massachusetts Technology Collaborative at 4; Fitchburg Gas and Electric at 3; Capstone at 3; Solar Energy Business Association of New England at 4; Trigen Boston Energy at 1. Stakeholders should try to find consensus on the details, from the unit size eligible for expedited processes to dispute resolution procedures.

Similarly, there appeared to be agreement in principal that stand-by rates, their overall level and design, are an important determinant of the overall economics of distributed generation. Fitchburg Gas and Electric at 5; Cape Light Compact at 4; Solutia at 1; Aegis Energy Services Inc at 3; Capstone at 7. Even where rate issues may require other process for final resolution, parties should endeavor to reach accord on potential pricing options that would send accurate price signals to customers, such as locational pricing and rate design based on a generator's probability of coincident peak demand. Massachusetts Technology Collaborative at 13; Massachusetts Electric at 28; NECA at 6. If full agreement is not possible, the parties could narrow areas of disagreement to facilitate the DTE's subsequent processes.

There was also general consensus that distributed resources can be a viable alternative to historic plant upgrades. Massachusetts Electric at 3; Cape Light Compact at 4; Stone and Webster at 5; Capstone at 9; Keyspan at 4-5; Western Massachusetts Electric Company at 13; Massachusetts Technology Collaborative at 15 and 18; Solar Energy Business Association of New England at 12. Several parties suggested the need for Massachusetts to establish an analytical framework by which distribution companies can evaluate comprehensively distributed generation options in distribution system planning. Massachusetts Electric, 21; Massachusetts Technology Collaborative at 18; Solar Energy Business Association of New England at 11; Fitchburg Gas and Electric at 8; Stone and Webster at 4. A collaborative process could potentially expedite the development of that framework or isolate for the DTE's consideration focused points of disagreement.

Finally, UTC agrees with the Massachusetts Technology Collaborative's suggestion that progress would be best assured within reasonable time if the DTE establishes a time frame for a final report, along with periodic progress reports. Massachusetts Technology Collaborative at 21 and 22. We further suggest that the DTE provide as much direction as possible to the participants at the outset of a collaborative effort. The DTE could, for example: 1) identify with specificity all issues the DTE would strongly prefer the collaborative resolve; 2) communicate any strongly held policy preferences the

DTE believes should direct practical recommendations; 3) indicate whether the DTE believes any of the supplementary issues identified by parties are outside its jurisdiction or are, for whatever reasons, not among the issues the DTE would prefer to rule on at this time.

UTC appreciates the DTE's effort to address issues central to ensuring distributed generation can be a viable economic alternative to historic energy options in a variety of applications.

Respectfully submitted,

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